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Turkey Tree Nuts Semi Annual 2008

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Report Highlights:

Estimates of hazelnut production in MY 2007 still vary considerably. FAS Ankara currently estimates MY 2007 production at 550,000 MT. MY 2007 nut quality and kernels yields are better than in MY 2006. So far in MY 2007, TMO has procured about 93,000 MT of hazelnuts and paid about YTL 450 million. Turkish traders are forecasting lower export quantities in MY 2007 due to high prices. Higher prices are attributed to a shortage of tradable supplies despite huge carryover, as TMO is holding, but not selling, these stocks. Some MY 2005 and older stocks are expected to be crushed for oil.

Includes PSD Changes: Yes Includes Trade Matrix: Yes Semi-Annual Report Ankara [TU1] [TU]

Table of Contents

Production	3
PSD Table for Hazelnuts	
Consumption	
Trade	
Export Trade Matrix for Hazelnuts	5
Stocks	5
Policy	
Marketing	<i>6</i>

Production

The weather conditions were normal so far for hazelnut production forecast for MY 2008. Particularly cold weather in January is expected to delay blossoming, which could reduce damage from late frosts. MY 2008 production is expected to be higher than it was in MY 2007, if weather conditions remain favorable, with no late frosts or excessive summer heat.

MY 2006 production data has been revised significantly upward based on information from industry sources.

Estimates of MY 2007 hazelnut production still vary considerably, ranging from 500,000 MT to 600,000 MT, with public agencies on the lower and traders on the upper side. Post currently estimates production at 550,000 MT. Of this total, central and eastern regions are estimated to have produced 340,000 MT and western regions 210,000 MT.

Nut size and quality in MY 2007 is better than in MY 2006. It is estimated that overall about 45 percent of the crop is standard #1 size, about 40 percent is standard #2 and the remaining 15 percent is standard #3. Sizes are higher in the middle and eastern regions (standard #1 is as high as 55 percent and standard #2 is 45 percent) and lower in the western regions (standard #1 is 40 percent, standard #2 is 35 percent and standard #3 is 25 percent). Kernel yields, i.e. in-shell to shelled conversion, also are estimated to be higher in MY 2007 than in MY 2006. The average kernel yield is estimated at 51–52 percent in MY 2007 compared to an My 2006 average around 48 percent. These yield estimates also are higher for the middle and eastern regions than for the western regions.

Prices

Traditionally procurement price announcements have been made after the middle of August. In 2007, however, for the first time the Turkish government announced hazelnut procurement prices prior to the harvest, on July 10. The motivation was to curry political favor with producers before the July 22 general election. The Turkish Grain Board (TMO) again was delegated to procure hazelnuts in MY 2007 because of the financial collapse of FISKOBIRLIK, the troubled hazelnut marketing cooperative, in 2006. The government issued a decree on November 13, 2007 to authorize TMO to buy in-shell hazelnuts from FISKOBIRLIK stocks that were procured in MY 2006 and previous years. TMO paid the same price to FISKOBIRLIK that it had paid to growers for MY 2006 crops, but paid three percent less for MY 2005 crop.

Also on account of the general election, in MY 2007 hazelnut procurement prices were raised significantly, to YTL 5.15 (about USD 4) per kilogram of Giresun type, YTL 5.00 (or about USD 3.90)/kg of Levant type, and YTL 4.75 (or about USD 3.70)/kg of other hazelnuts. TMO also paid an additional YTL 0.05/kg premium for delayed delivery in October, November, and December. The government directly funded TMO's purchases. The government also paid TMO to crush the older stocks for oil. TMO procurement prices in MY 2006 were YTL 4.00 per kilogram of Giresun type, YTL, 3.80 per kilogram of Levant type, and YTL 3.68 per kilogram of other hazelnuts.

As of February 13, 2008, TMO had bought about 93,000 MT of MY 2007 hazelnuts and had paid about YTL 450 million. The average in shell price paid so far is nearly YTL 4.85 per kilogram. Traders are procuring hazelnuts currently at a price about YTL 4.30 per kilogram.

In MY 2006, TMO procured about 163,000 MT and FISKOBIRLIK procured about 44,000 MT. Due to its debt --estimated at YTL 100–110 million-- FISKOBIRLIK did not announce any procurement prices in MY 2007, but did buy about 5,700 MT from producers at the same prices as TMO.

PSD Table for HazeInuts

Turkey										
Filberts, Inshell Basis										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post	
	Official	Estimate	Estimate New	Official	Estimate	Estimate New	Official	Estimate	Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	0	0	0	0	0	0	0	0	0	HA
Area Harvested	0	0	0	0	0	0	0	0	0	HA
Bearing Trees	300000	320000	300000	310000	330000	310000	0	330000	310000	1000 TREES
Non- Bearing Trees	20000	20000	20000	18000	18000	18000	0	18000	18000	1000 TREES
Total Trees	320000	340000	320000	328000	348000	328000	0	348000	328000	1000 TREES
Beginning Stocks	15000	15000	15000	80000	80000	80000	150000	200000	300000	MT
Production	525000	615000	525000	600000	700000	775000	0	600000	550000	MT
Imports	0	0	0	0	0	0	0	0	0	MT
Total Supply	540000	630000	540000	680000	780000	855000	150000	800000	850000	MT
Exports	400000	480000	400000	450000	500000	495000	0	500000	400000	MT
Domestic Consumpt.	60000	70000	60000	80000	80000	60000	0	80000	100000	MT
Ending Stocks	80000	80000	80000	150000	200000	300000	0	220000	350000	MT
Total Distribution	540000	630000	540000	680000	780000	855000	0	800000	850000	MT

Consumption

Actual domestic hazelnut consumption in MY 2007 is projected to be about the same as MY 2006, around 60,000 MT. However, the leftover stocks from MY 2005 and earlier, which TMO had bought from FISKOBIRLIK, are expected to be crushed for oil and therefore added to MY 2007 consumption. MY 2006 consumption data was revised downward as the old stocks were not crushed in that marketing year. It is estimated that total old crop stocks for crushing are about 42,000 MT. This is the first time hazelnuts will be crushed for oil since MY 2004.

The current retail price for shelled roasted hazelnuts in Ankara is about YTL 19 (about USD 16) per kilogram, which was the same as it was last September.

Trade

Hazelnuts are among the Turkey's traditional export items. In recent years (MY 2004-MY 2005), Turkey exported smaller quantities but earned more revenues due to tighter supplies and record high prices. Turkish hazelnut export revenues, which traditionally had been much less than USD 1.0 billion, jumped to USD 1.5 billion in MY 2004 and USD 1.9 billion in MY 2005. This trend reversed in MY 2006 when revenues dropped to about USD 1.3 billion; the average export price was USD 5,076 per MT of shelled hazelnuts.

Official trade data for hazelnuts is not available. According to the data received from the Black Sea Exporters Union, Turkey exported a total of 125,000 MT of shelled hazelnuts

valued at USD 964 million during the first five months of MY 2007 (September 2007-January 2008). Quantity exported in that period was slightly smaller than during the same period in the previous two years (143,000 MT in MY 2006 and 132,000 MT in MY 2005). The export value in this period of USD 964 million was significantly higher than it was in the same period in MY 2006, USD 667 million, but significantly lower than in the same period in MY 2005, about USD 1.2 billion. Average export prices were USD 7.69 per kilogram during the first five months in MY 2007 compared to USD 4.66 per kilogram in MY 2006 and USD 9.04 a kilogram in MY 2005 during the same period. Turkish traders are projecting lower export quantities in MY 2007 due to higher prices. The reason for export prices being higher in MY 2007 is shortage of supply for trade even large stocks carried, but not sold, by TMO.

The European Union has always been the major market for Turkish hazelnuts. About 80 percent of exports are destined for European countries. Smaller cargoes, shipped by truck on a CIF basis, have become more popular in recent years. About seventy percent of Turkey's hazelnut exports are raw kernels and the remainder are processed, including roasted, sliced, chopped, paste, meal, and flour. Very few hazelnuts are exported as finished consumer confectionary items. The trend, however, is to move from raw kernel exports to processed and finished products for added value. In addition to a shift in the export product mix, Turkey is also hoping to expand its market presence in the Far East, Former Soviet Union, and the United States. Industry representatives in Turkey closely monitor other markets, including the U.S. hazelnut and almond industries.

Export Trade Matrix for Hazelnuts (Calendar Year 2007 and MY 2007 to date)

Turkey									
Filberts, Inshell Basis									
Time Period	Jan Dec.	Units:	Metric Tons						
Exports for:	2007	09/07-01/08	2008						
U.S.	8717	U.S.	4600						
Others		Others							
Germany	113205	Italy	65450						
Italy	108216	Germany	62814						
France	49095	France	26957						
Belgium	19576	Belgium	9682						
Switzerland	18516	Switzerland	9498						
Poland	16219	Poland	8268						
Netherlands	16370	Netherlands	7594						
Russia	16335	Austria	7432						
Austria	14968	Russia	7082						
United									
Kingdom	10740	Ukraine	5070						
Total for									
Others	383240	•	209847						
Others not									
Listed	74320		36287						
Grand Total	466277		250734						

Stocks

Turkey carried about 300,000 MT of hazelnut stocks in to MY 2007. Of this total, 162,000 MT were in TMO stocks from last year, 86,000 MT were at FISKOBIRLIK stocks (about 44,000 MT were from MY 2006 and about 42,000 MT from earlier years) were also bought by TMO, and the remaining part (about 52,000 MT) was estimated to be in traders' and producers' stocks.

This level is dramatically higher than in previous years. MY 2006 carry over stocks are estimated at about 80,000 MT. Carryover stocks at the end of MY 2007 are estimated to be even larger. Carry over stocks in MY 2007 have been revised upward according to information from industry sources. However, it is expected that MY 2005 or earlier stocks will be crushed for oil. It is not clear at this point what TMO will do with the remaining stocks.

Policy

Government policy on hazelnuts is going backward. Hazelnut procurement is entirely under government control and free market principles are in retreat. Traders are complaining about the reduced profit margins due to these policies, the strength of the YTL, and high energy costs. Based on guaranteed rentals from TMO, which must store huge stocks, the private sector is building new silos; TMO is guaranteeing 100 percent rental for the first five years and 50 percent for the following five years.

Marketing

Turkey focuses its market promotion efforts in the Far East --especially Japan and China--and in the United States, while planning to start similar promotional efforts in India and Russia. Turkey is making additional efforts to shift its export product mix to processed products as well. Most exporters are represented by the Turkish Exporters' Union operating under the Foreign Trade Undersecretariat. Members of the exporters' union are mostly private traders and provide operating capital. There are two hazelnut exporter unions; the largest one is the Black Sea Exporters Union, which is located in Giresun, and the other one is in Istanbul.